



THE UNIVERSITY OF  
MELBOURNE

# 2023 Gift Investment Report





# *Acknowledgement of Country*

The University of Melbourne acknowledges the Traditional Owners of the unceded land on which we work, learn and live: the Wurundjeri Woi-wurrung and Bunurong peoples (Burnley, Fishermans Bend, Parkville, Southbank and Werribee campuses), the Yorta Yorta Nation (Dookie and Shepparton campuses) and the Dja Dja Wurrung people (Creswick campus).

The University also acknowledges and is grateful to the Traditional Owners, Elders and Knowledge Holders of all Indigenous nations and clans who have been instrumental in our reconciliation journey.

We recognise the unique place held by Aboriginal and Torres Strait Islander peoples as the original owners and custodians of the lands and waterways across the Australian continent, with histories of continuous connection dating back more than 60,000 years. We also acknowledge their enduring cultural practices of caring for Country.

We pay respect to Elders past, present and future, and acknowledge the importance of Indigenous knowledge in the Academy. As a community of researchers, teachers, professional staff and students we are privileged to work and learn every day with Indigenous colleagues and partners.



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# 1. Overview

Philanthropic support is essential to fulfilling the University of Melbourne’s purpose as articulated in *Advancing Melbourne*, “to benefit society through the transformative impact of education and research.”

The generosity of philanthropic support has established scholarships and bursaries, empowering the University’s students to realise their full potential, irrespective of their personal circumstances or background. Additionally, philanthropic gifts enable the University to attract distinguished academics who not only inspire as educators but also innovate as researchers, shaping transformative solutions to the most pressing issues confronting society today.

The University prudently manages and invests these gifts in its Gift Investment Portfolio to deliver sound returns over the long-term and deliver on the gifts’ purpose. This annual report provides donors with an overview of management practices and historical investment performance for the period ending 31 December 2023.

For a brief video which gives an overview of long-term gifts to the University of Melbourne, [refer to this site](#).

Further information about the use of these long-term gifts can be found in **Section 2**.

Information about the University’s investment governance and investment management model, including philanthropic gifts, can be found in **Section 3**.

The portfolio comprising long-term gifts to the University achieved an investment return of 9.6 per cent for the 12 months ending 31 December 2023 as illustrated in **Table 1**. An overview of the portfolio’s investment strategy is provided in **Section 4**. Further details of the 2023 and historical investment performance can be found in **Section 5**.

Distributions from the portfolio of long-term gifts totalled \$62 million in 2023, representing an enormous contribution to specific areas of support and various activities across the University. The methodology used to calculate the distribution each year is described in **Section 6**.

**Table 1: Summary of historical annual investment returns and distributions for the Gift Investment Portfolio**

	2017	2018	2019	2020	2021	2022	2023
Year End Market Value (\$m)	857	909	1,025	1,134	1,316	1,258	1,331
Return (%)	10.5	1.6	12.3	5.3	17.4	-1.9	9.6
Distributions (\$m)	32	36	41	45	49	53	62



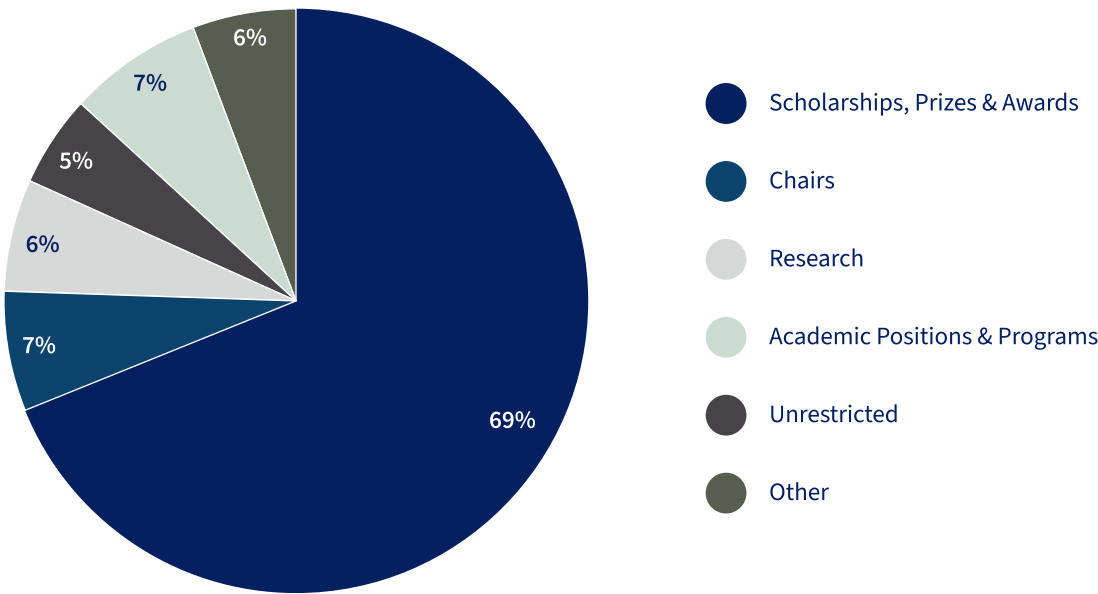


# 2. Use of Long-Term Gifts

Since 2010, the generosity of donors has resulted in the establishment of more than 370 new gifts at the University, specifically intended for long-term investment. These gifts honour the legacy established by visionary benefactors who support the University.

The University prudently manages these gifts in accordance with the donor’s expressed wishes and applicable law. If a specific purpose is not stated, the gifts are directed to the institution’s broader charitable purposes. Student awards (including scholarships), grants, bursaries and prizes comprise the largest portion of these gifts (**Figure 1**). Other gifts support academic positions, advance research, enrich libraries, fund capital projects and foster student development.

Figure 1: Gift category analysis



## Professor David Coghill

2023 Financial Markets Foundation Chair of Developmental Mental Health

Professor David Coghill is the Financial Markets Foundation Chair of Developmental Mental Health in the Departments of Paediatrics and Psychiatry at the University of Melbourne and the Professor of Child and Adolescent Psychiatry at the Royal Children’s Hospital Melbourne. Professor Coghill’s work has focused on developing a better understanding of the pathophysiology of attention deficit hyperactivity disorder, conduct disorder and depression.

*“Having moved past the disruption from the pandemic has meant that we have been able to get back to face to face clinical, teaching and research. I have used the freedom offered by the Chair to extend my clinical role to work within the newly created Neurodevelopmental Disorders stream at Orygen Youth Health. This has not only been rewarding clinically but has increased the reach of my research through a collaborative \$3.7 million dollar grant to study MDMA assisted psychotherapy for anxiety in autism.*

*In 2023, I was fortunate to be awarded an NHMRC Investigator Grant which will support my research over the next five years. This would not have been possible without the support of the Financial Markets Foundation for Children.”*





# 3. Investment Model and Governance

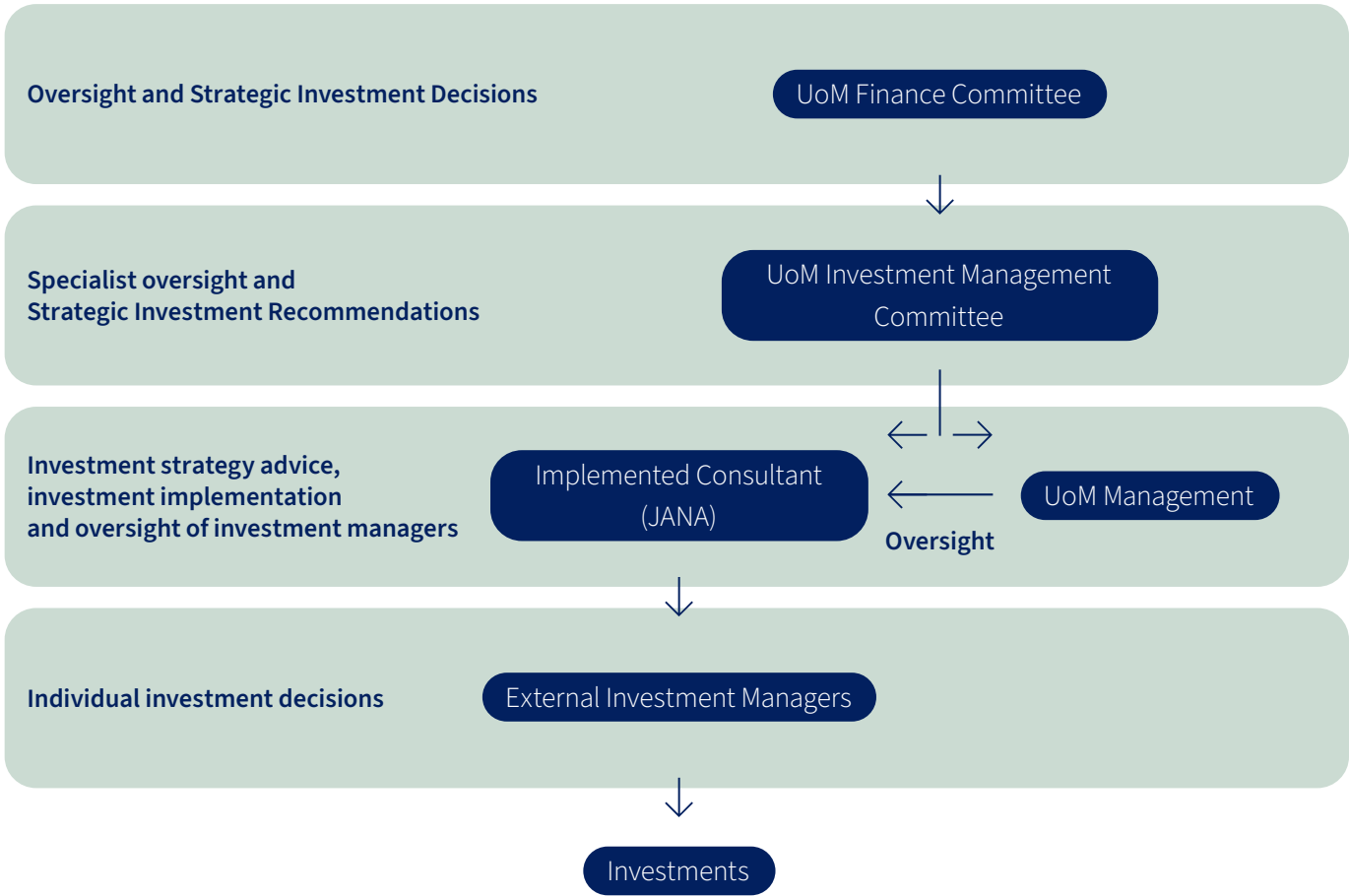
The University’s investment model allows the University to focus on strategic investment decisions whilst delegating the resource intensive investment implementation activities to well-resourced specialist external advisers and managers. This approach is consistent with the University’s investment scale and focus on leadership and excellence in education, teaching, and research.

The University’s Finance Committee exercises governance responsibilities over the financial assets of the University. A specialist Investment Management Committee (a sub-committee of Finance Committee), makes strategic investment recommendations to Finance Committee, and is responsible for oversight of the implementation of these investment decisions.

The University has appointed an Implemented Consultant to advise on investment strategy and to implement the approved investment strategy through external investment managers. University Management, supported by specialist advisers, are responsible for the day-to-day oversight and management of the relationship with the implemented consultant.

Figure 2 below outlines the investment model.

Figure 2: University of Melbourne (UoM) Investment Model





The Investment Management Committee, the primary University governance body for financial assets comprises experienced investment and finance professionals from Council, Management, and externals, and is advised by specialists as required.

**The Investment Management Committee’s membership as at 31 December 2023 was as follows (Table 2):**

JANA Investment Advisers is the University’s Implemented Consultant. JANA has a long history of successfully providing investment consulting and management services in Australia and is an adviser to some of Australia’s largest institutional investors. The University appointed JANA in 2022 upon recommendation of the IMC and Finance Committee.

The investment portfolio supporting long-term gifts operates as separate unitised fund structures. Once a gift is received, the gift is exchanged for units that represent a portion of the total investment portfolio. The value of the units varies over time in line with the underlying investments’ performance. Units are valued each month based on the value of underlying investments.

**Table 2: Investment Management Committee Membership**

Member	Professional Affiliation	Expertise	Length of Service on the Committee (years)
Andrew Sisson AO (Chair) <sup>1</sup>	FAICD	Australian Equities	Joined 13/3/2020 (3 years)
Amanda Fong	Investment Advisor/Partner, Escala Partners Ltd	Wealth Management	Joined 30/5/2007 (16 years)
Prof Paul Kofman	Dean, Faculty of Business and Economics, University of Melbourne	Finance / Academia	Joined 31/5/2006 (17 years)
Peter Scott AM	Investment Banker	Mergers and acquisitions / Capital Markets	Joined 9/10/2013 (9 years)
Liliana Colla	Investment Merger Lead Manager, CBUS	Implementation / Trading	Joined 6/8/2014 (8 years)
Paul Axup	Vice-President (Administration & Finance) and Chief Operating Officer, University of Melbourne	Commercial Finance	Joined 1/8/2022 (1 year)
Dr Raphael Arndt <sup>2</sup>	CEO, Future Fund	Infrastructure/Multi-Asset	Joined 1/1/2024 <sup>3</sup>

1 Member, University Council  
2 Member, University Council  
3 Appointed in 2023 to start in 2024



# 4. Investment Objectives and Strategy

Investment objectives for the investment portfolio are developed with the support and advice of the Implemented Consultant. The objectives are based on a range of considerations and reflect the University's investment beliefs and strategic advantages such as its long time-horizon. JANA works closely with University Management to understand the nature of the commitments supported by the financial assets, the liquidity requirements (including distribution goals), along with return and risk preferences.

JANA then develops proposed objectives based on comprehensive modelling using its risk and return expectations for asset classes. Alternative portfolios are developed by JANA to help the Investment Management Committee review the probability of achieving the investment objectives, along with potential trade-offs between liquidity, returns, and risk for each hypothetical portfolio. The portfolios are stress tested for extreme events to better understand their resilience in different market conditions, and their ability to support distribution policies and preserve the real value of the gifts.

The analysis and advice are reviewed and considered by the Investment Management Committee, which then makes recommendations to the Finance Committee for its consideration and approval. The objectives are supported by a long-term target asset allocation to asset classes, which the current portfolio moves towards over time.

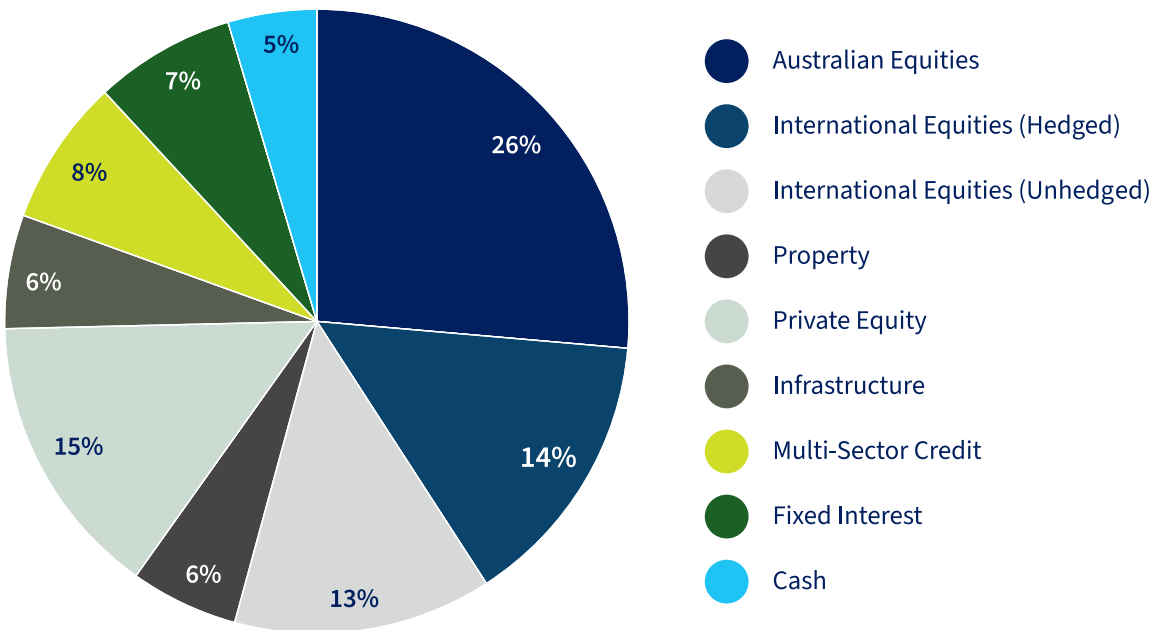
The portfolio comprising long-term gifts is diversified across multiple asset classes, countries, investment managers and investment approaches.

## Risk management

The primary objective of the investment portfolio is to deliver a return sufficiently above inflation to both maintain the real value of the gifts and provide adequate distributions to support philanthropic activities. In this regard, the primary risk is failing to achieve these twin objectives over the long term. This is therefore a primary focus of the Investment Management Committee supported by the work of University Management and JANA.

As highlighted earlier, this analysis is supported by extensive work on capital market assumptions and comprehensive stress testing of alternative portfolios and strategies. At an operational level, risk is actively managed by JANA with support of specialist service providers.

Figure 3: Asset allocation on 31 December 2023





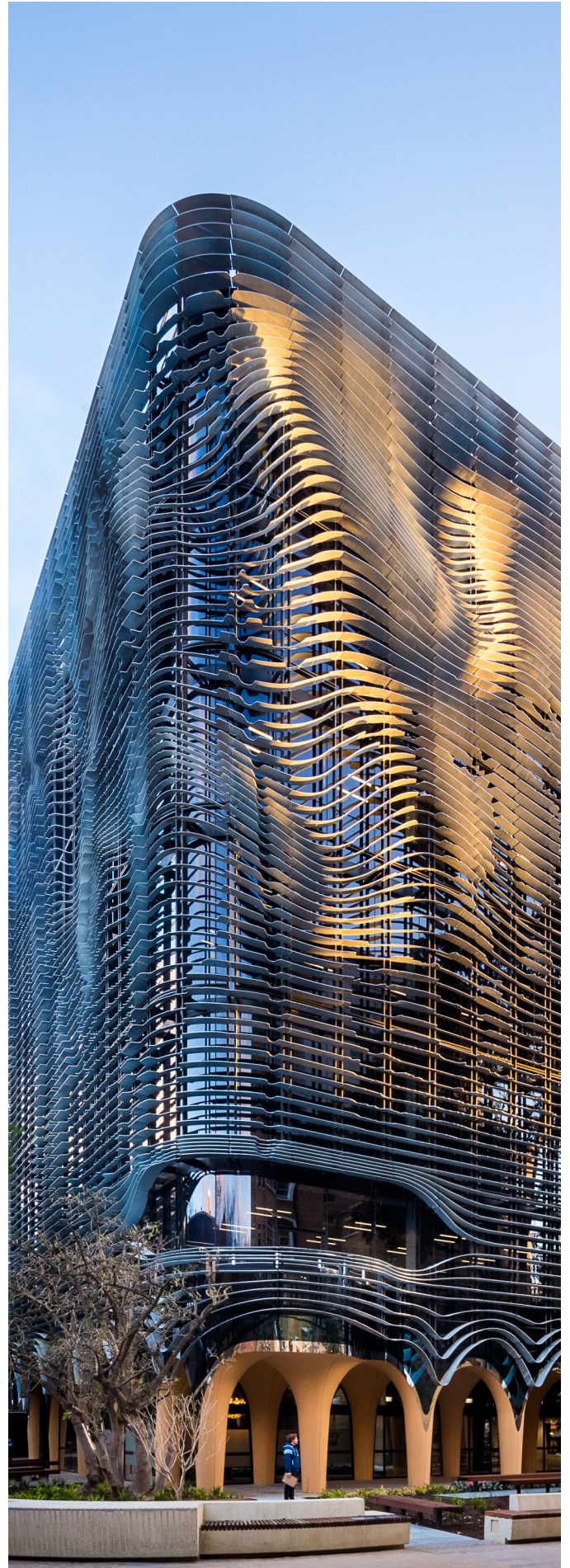
## Sustainability

The University's commitment to responsible investment and sustainability more broadly is outlined in its *Sustainability Plan 2030* and includes the following two responsible investment targets:

- Include the University's investment portfolio<sup>4</sup> in its commitment to be climate positive by 2030
- Provide enhanced transparent reporting of the University's investment portfolio

The University is a signatory to the United Nations Principles for Responsible Investment (PRI) since 2020. As a signatory, the University is committed to incorporating environmental, social, and governance (ESG) issues into investment analysis, decision-making processes, and ownership policies and practices. The University is also committed to being an "active owner"<sup>5</sup>, seeking appropriate disclosure on ESG issues by the entities in which it invests, and reporting on its activities and progress towards implementing the principles for responsible investment. At the investment level, external investment managers determine the preferred "active ownership" strategy and execute the strategy accordingly, with subsequent reporting to the Implemented Consultant and then the University.

The Implemented Consultant has a specialist internal Sustainability Team supported by a Sustainability Advisory Council, with members of the latter primarily external to the organisation to provide broader experience and different perspectives. JANA is also a PRI signatory, and a member of the Responsible Investment Association of Australia, the Investor Group on Climate Change, and Australian Sustainable Finance Institute. JANA was an inaugural signatory to the Net Zero Investment Consultants Initiative, a pledge by global investment consultancy firms to support the goal of net zero greenhouse gas emissions by 2050. JANA is also a Climate Active carbon neutral certified organisation.



<sup>4</sup> This will include investments in the University's portfolio for which the carbon footprint can be reasonably measured or estimated.

<sup>5</sup> The PRI defines active ownership as the use of the rights and position of ownership to influence the activities or behaviour of investee companies.



# 5. Investment Performance

The portfolio comprising long-term gifts has performed well for many years despite volatile global financial conditions. **Table 3** shows the long-term gifts portfolio's performance against its return target.

**Table 3: Gift Investment Portfolio Performance Over Time (as of 31 December 2023)**

Return per annum	1 Year	3 Year	5 Year	10 Year	Since Inception (2002)
Portfolio Performance	9.6%	8.1%	8.3%	7.5%	7.9%
Return Target	8.6%	9.5%	7.8%	7.7%	7.7%

The return target for the Gift Investment Portfolio remains at CPI + 4.5 per cent per annum. This target is expected to be achieved within a rolling period of 10 years or more.

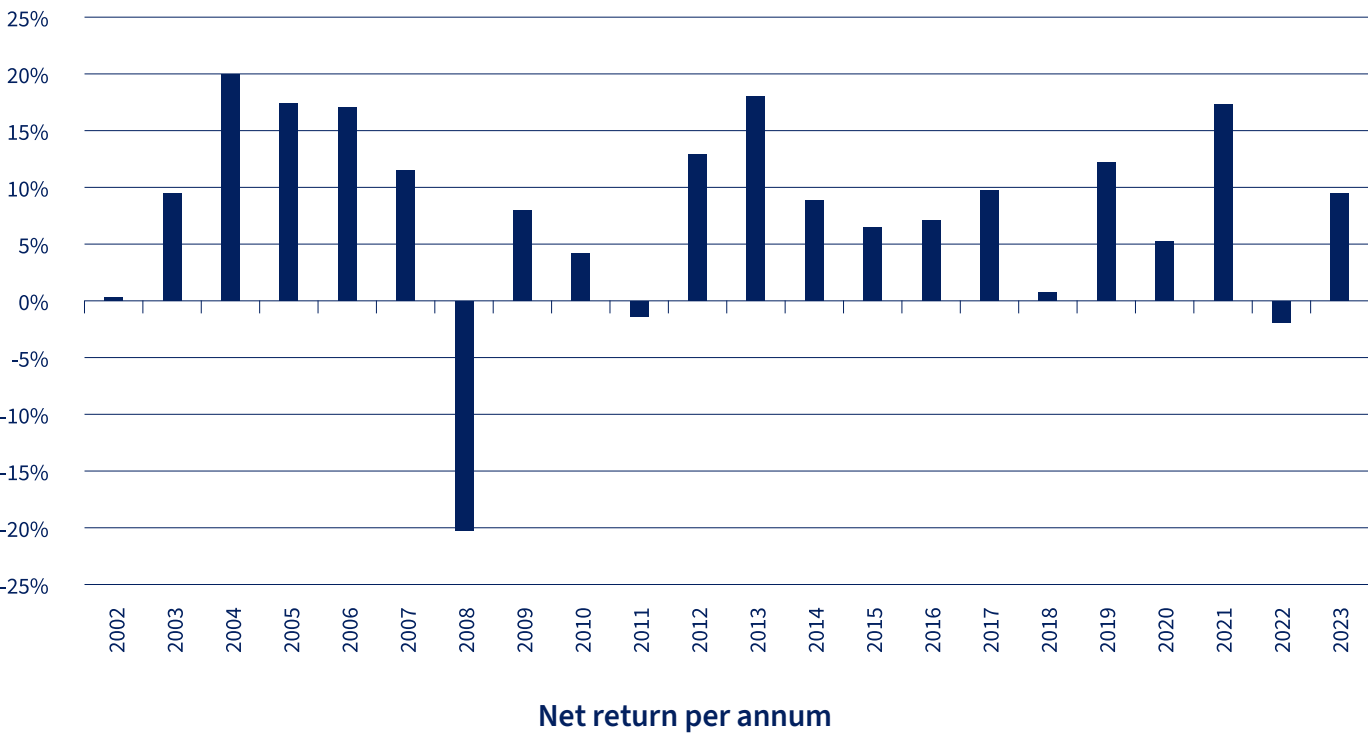
## 2023 Investment Market Context

The portfolio has outperformed its return target in 2023 and over most time periods, as demonstrated in **Figure 4**. For the 2023 calendar year, the main drivers of overall portfolio returns were Australian Equities and Global Equities.

Coming into calendar year 2023, most market commentators were of the view that recession risks were elevated following a rapid period of rate hikes by central banks combined with potentially “higher for longer” inflation and rates. However, as the year progressed, it became clearer that robust economic growth (particularly in the US) and continued falling inflation gave rise to renewed market optimism that a “hard landing” was less likely. In addition, the market consensus moved towards central banks “pivoting” to materially lowering rates throughout 2024. As a result, listed equity markets (particularly US equities) experienced a strong resurgence in late 2023.

Over 2023, the University carried a small overweight position in equities and credit to offset building positions in private markets. New deployments were made to Private Equity and Infrastructure where the long-term return prospects are considered favourable.

**Figure 4: Annual Performance of Gift Investment Portfolio (as of 31 December 2023)**







## Shirin Nour

2023 recipient, Eugen Singer Award

Second year PhD student, Shirin Nour, is studying Biochemical Engineering and is driven by a deep passion for improving patients' quality of life through usage of synthetic polymers in biomedical applications.

*"This scholarship not only eases my financial worries but also bolsters my confidence and determination to excel in my field. My experiences at the University of Melbourne have been enriching in many ways. I have had the opportunity to participate in various extracurricular activities and multiple research projects. This award can help me*

*to further improve my research by providing financial support for a lab visit followed by conference attendance and presentation in the USA. These experiences will broaden my horizons and equip me with valuable skills and perspectives that I will carry with me throughout my career.*

*I want to express my deepest thanks once again for the generous support through the Eugen Singer Award. This scholarship is not just a financial gift; it is a vote of confidence in my abilities and a reminder of the importance of pursuing my dreams. I am committed to making the most of this opportunity and giving back to society in every way I can. The donors' kindness and generosity will forever inspire me to strive for excellence and make a positive impact in my field."*



# 6. Distributions

Distributions are made from the portfolio each quarter to support the purpose of the gifts. These distributions are based primarily on a notional rate of 5 per cent of total assets in the portfolio. To determine the exact distribution amount, the University uses a formula that gradually adjusts for fluctuations in annual investment performance. This “smoothing” formula provides greater predictability of the distribution amount without risking impairment of the real value of the invested capital.

## Calculated distributions are equal to the sum of:

- 80 per cent of the previous year’s distribution dollar amount; and
- 20 per cent of the target distribution rate (currently 5 per cent) of the long-term gift portfolio.

To ensure that actual distributions are closely aligned to the target rate, constraints are applied. These constraints are a floor of 4.5 per cent and ceiling of 5.5 per cent of the market value of the portfolio.

This calculation occurs as part of the University’s annual budgeting cycle in October each year. Given this is prior to year-end, the distribution estimate is based on the balance at year-end two years prior to the distribution year. For example, the October 2022 budget for the 2023 year was based on the market value of the portfolio as of 31 December 2021. To adjust for this timing difference, the market value of the portfolio is adjusted for inflation (two years of inflation, to bring the 2021 market value into 2023 dollars for distribution). This amount is then constrained to the 4.5 per cent floor or 5.5 per cent ceiling (if applicable).

## 2023 Distribution Calculation

The actual market value and distribution figures over the past three years for the long-term gift portfolio are shown in **Table 4**. Calculation of the distribution can be illustrated using the highlighted figures for the 2023 distribution:

- 80 per cent: the actual prior year (2022) distribution of \$53 million, adjusted for one year inflation. This equals \$44 million; plus
- 20 per cent: the target distribution rate of 5 per cent using the most recent year-end market value (2021 year-end value of \$1,316 million adjusted for inflation to \$1,373 million in 2023. This equals \$14 million;

The sum of these calculations equal \$57 million (\$44 million plus \$14 million, with some rounding).

However the distribution constraints dictate that the total amount should be between a distribution of 4.5 per cent floor to 5.5 per cent ceiling, of the adjusted value at budgeting.

As the \$57 million is lower than the agreed floor of the distribution of 4.5 per cent, the actual distribution was increased from \$57 million to \$62 million (4.5 per cent multiplied by \$1,373 million).

Table 4: Distribution Calculation 2023 (\$ in millions)

	2021	2022	2023
Year-End Market Value (M.V.)	1,316		
80% of Actual Prior Year Distribution (+CPI)			44
Adjusted Value @ Budgeting <sup>6</sup>			1,373
20% of Target Rate (5%) * Adjusted Value @ Budgeting			14
Calculated Distribution		53	57
Actual Distribution (Constrained)			62

The “Adjusted Value @ Budgeting” for 2023 references the Year-End Market Value at 31 December 2021 and adjusts it for CPI.



# 7. Administration

The Vice-President (Administration and Finance) and Chief Operating Officer has management responsibility for the University's investments, which are overseen by the Chief Financial Officer Group. The expenditure of long-term gift distributions is managed by a team comprising Advancement, Legal and Risk, Finance Operations, and the relevant faculty, school, or department. This team ensures that the distributions are allocated in accordance with the donor's expressed wishes or trust terms.

The University's Gift Committee is a sub-committee of the Council that represents donors' interests and assists the University Council in overseeing and administering philanthropic gifts from donors and partners to any part of the University. The Committee ensures that gifts to the University are accepted and used appropriately and effectively. Additionally, the Committee is responsible for overseeing the University's stewardship of all gifts, including those that are held by the University in trust.

## Fees

At the University, we apply an internal administration fee that amounts to 2.5 per cent of the distribution value, which is equivalent to approximately 0.1 per cent of the market value of long-term gifts. Our commitment to our donors is based on operating with transparency, integrity, and respect, and we believe in maintaining reasonable and justifiable administrative fees. Typically, our fees are lower than those charged by other charitable trustees, which is consistent with our goal of providing the best possible value for our donors.





## 8. Make a difference



Since its foundation in 1853, the University of Melbourne has been the grateful recipient of generous philanthropic support from its community of alumni, staff, students, parents, and friends. We deeply appreciate this remarkable support and welcome the opportunity to engage in meaningful conversations with those who share our vision of advancing society through the transformative impact of education and research. We believe that philanthropy has the power to transform lives, and we are committed to ensuring that every gift is thoughtfully directed toward creating a meaningful impact.

Gifts are accepted and administered in accordance with the University's [Gift Policy](#), including adhering to the commitments set out in the [Donor Charter](#) and valuing the ongoing involvement of, and relationships with donors to the University guided by the University's [Donations Framework](#).

### Contact us:

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### Meredith Walker

*2023 recipient, Emma Grollo Memorial Scholarship*

Bachelor of Biomedicine and Diploma in Languages student, Meredith Walker, uses her scholarship to study overseas combining her passion for biomedicine, Italian culture and history.

*"I am an exchange student at Sapienza University of Rome, and I am delighted to have been selected as a 2023 recipient for the Emma Grollo Memorial Scholarship. I am undertaking this exchange semester in Rome to improve my Italian language skills and enrich my cultural learning. In Rome I am studying history of modern art, Italian linguistics, and cell biology; these subjects are all taught and examined in Italian, allowing me to enrich my learning not only of my Biomedicine degree and the Italian language but also the culture and history of Italy. I am incredibly grateful for the support of the Emma Grollo Memorial Scholarship, through which I am able to focus entirely on my academic goals and immersing myself in Italian culture."*





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